



VietNam Holding Ltd. (VNH) is a value investor, aiming to generate high risk-adjusted returns by combining rigorous financial analysis with interactive sustainability research. Its current two main investment themes are agriculture and domestic consumption. VNH is listed on both the London and the Frankfurt stock exchanges.

Fund Statistics

Total NAV USD 120,486,693

NAV per share USD 1.921

Shares in issue 62,722,025

Treasury shares 4,815,215

Equity investments 98.37%

Number of investments 26

Vietnam News

Vietnam's GDP growth in the second quarter of 2014 has been provisionally put at +5.3%. With a revised +5.1% figure for the first quarter of the year, the GDP growth for 1H2014 was +5.2%. The World Bank is sticking with its full year GDP forecast of +5.4% for the full year. The Purchasing Manager's Index (PMI) stayed in positive territory for all of 1H2014, and was 52.3 in June, with new orders, higher input prices and growing employment all apparent in the data. Inflation was just 0.3% MoM in June, taking the YTD figure to a mere 1.4%. This helped the State Bank of Vietnam to depreciate the VNDong by 1% in mid-June, to 21,246 against the US Dollar, as part of a bid to keep exports competitive, subsequent to much larger declines in virtually all other Southeast Asia currencies against the USD.

Clearly, the South China Sea / East Sea tensions between Hanoi and Beijing, following China's placing of an oil rig in mutually contested waters, and the protest riots that followed in some parts of mainland Vietnam during May were a cause for some legitimate concern. However, the VND has held relatively steady, external trade flows were maintained, and FDI inflow pledges and disbursements appear not to have been adversely impacted. For example, at the end of June, Samsung announced that it would commit a further US\$1bn to Vietnam, with a new flexible display screen assembly plant in Bac Ninh province, in addition to its existing FDI commitments.

That being said, a debate has begun on how Vietnam's economy might become less oriented towards China and, most notably, on Chinese imports. As for exports, in addition to seeking to diversify overseas markets in general, Hanoi's policy-makers seem keen to sign the somewhat controversial Trans-Pacific Partnership (TPP), into which China was not invited to participate. In another controversial move, Vietnam seems poised to pilot the use of genetically modified (GM) agriculture. This development has added piquancy as a result of Monsanto's advocacy of both GM foods, and its involvement in the Vietnam War as the manufacturer of the 'Agent Orange' defoliant. Advocates of GM agriculture in Vietnam see the potential of higher yields, more consistent produce, and more hardy crops that can tolerate the increasing demands made by climate change. Meanwhile, critics of GM agriculture caution that the kind of inter-cropping that is pursued by many of Vietnam's mostly smallholder farmers is inappropriate for the GM approach, and could pose some risks.

Turning to Vietnam's equities, the Vietnam Index (VNI) in HCM City rose 2.9% in June. As a result, the VNI was up 15.5% YTD, only exceeded in Asia by India's SENSEX (up 20.0%) and the Philippines' PSEI (up 16.2%). Indeed, over the last 18 months the VNI has been the best performing market in Asia, rising almost 40% since the beginning of 2013. Similarly, over the last 30 months, the VNI has risen 64.5%.

Regional Valuation and Dividend Yield Comparison

	P/E trailing	Price to Book	Dividend Yield
Philippines	21.6	2.8	2.2
Indonesia	21.5	2.5	2.1
India	18.0	3.0	1.5
Thailand	17.5	2.2	3.1
Malaysia	16.3	2.0	3.0
Vietnam: VNAS	11.9	1.6	3.9
China	10.0	1.3	3.1

Source: Bloomberg.

Performance Comparison: VNI vs. VNAS



Source: Bloomberg. The VNAS was launched on 27 January 2014 and covers the Ho Chi Minh City Stock Exchange (HoSE) universe on a free-float adjusted basis. Bloomberg uses the back-tested positions for VNAS for the period before 27 January 2014, which were released by the HoSE.

VNH Insights

With the IPO and listing of Petrovietnam Gas (GAS) shares on the HCM City stock exchange, the VNI benchmark index has become significantly oriented towards the performance of this single stock, even though the free-float is just 3.3% of this company's total equity. Thus, we have begun to put greater emphasis on the Vietnam All Share (VNAS) Index, which provides a more representative benchmark indication of the Vietnamese equities universe.

While the VNI rose 2.9% in June, the VNAS rose by a more modest 0.3%. Within this context, VietNam Holding performed well in June, with its net asset value (NAV) per share rising 0.6%. For 1H2014 as a whole, VietNam Holding's NAV per share has risen 10.2%, thereby out-performing the 9.0% rise in the VNAS benchmark. By contrast, the GAS-weighted VNI increased by 14.57% over the same period. At the end of June the GAS stock price was up 68.4% YTD and trading on a trailing P/E ratio of a lofty 18.9x.

We believe the VNAS provides a more realistic benchmark for an equity investor such as VNH. As the above comparative chart demonstrates, the VNAS shows that the Vietnam stock markets have performed better over the last five years than the VNI suggests.

Looking back over the first half of 2014, most of the actively-managed Vietnam funds performed relatively well against the relevant benchmark stock market indices, in contrast to the marked continuing under-performance of the two ETFs which are focused on Vietnamese equities.

VNH looks forward to the prospects offered by 2H2014, with a corporate sector that appears to be maintaining its recently improved performance, robust macro-economic momentum, the likelihood that some major State-owned enterprises will enact share sales, and on-going banking sector reform that extends to some of the State-owned commercial banks.

Fund Facts

Domicile	Cayman Islands
Admission	15 June 2006
Exchanges	London AIM Frankfurt Entry Standard
Management Fee	2.00% for NAV < \$100M 1.75% for NAV > \$100-150M 1.50% for NAV > \$150M
Performance Fee	15% (hurdle rate 5%)
LSE Ticker	VNH
Bloomberg Ticker	VNH LN Equity
ISIN	KYG9361X1043

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Net Asset Value / Portfolio

NAV per Share Performance

Last month	0.63%
Last 3 months	-4.29%
Year-to-date	10.15%
Last 12 months	24.74%

Portfolio Statistics

P/E (trailing)	10.75x
Dividend yield	3.40%
PEG (forward)	0.71
Beta	0.87
Median market cap / investment (USD million)	132.04

Total Expense Ratio (unaudited) 3.22% (FY 2014)

Share Price / Discount

Share Price Performance

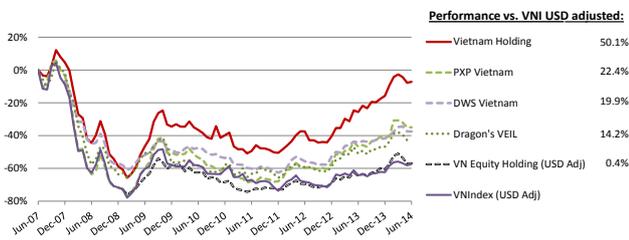
Last month	2.63%
Last 3 months	-4.41%
Year-to-date	14.04%
Last 12 months	17.94%

Market capitalisation USD 91.73M

Share Price Discount to NAV

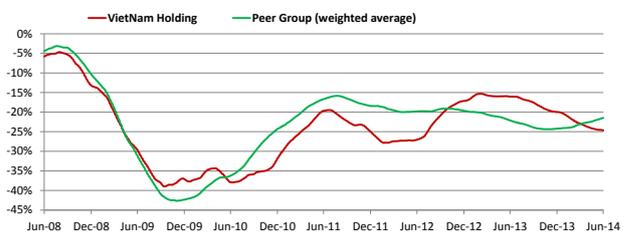
VNH 52 weeks average	24.65%
Peer Group 52 weeks weighted average	21.48%

NAV Performance vs. VN Index and Peer Group



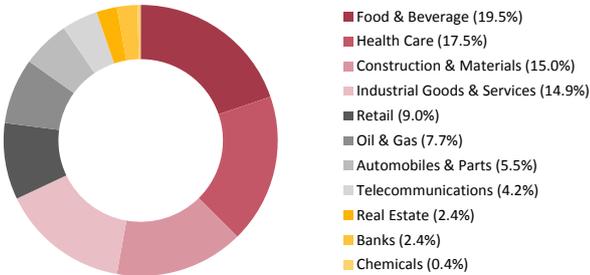
Source: Bloomberg and LCF Rothschild.

52 Weeks average Share Price Discount to NAV per Share



Source: Bloomberg and LCF Rothschild. Peer Group: Dragon's VEIL, PXPVF, VEH.

Industry Allocation



Top 10 Holdings

Investee Company	Market	Percent of NAV
Hau Giang Pharma	HOSE	8.71%
Hoa Phat Group	HOSE	8.70%
PetroVietnam Drilling	HOSE	7.71%
Traphaco	HOSE	6.59%
Vinamilk	HOSE	6.44%
Binh Minh Plastic	HOSE	6.35%
Viconship	HOSE	5.75%
Hung Vuong Corporation	HOSE	5.70%
Danang Rubber	HOSE	5.44%
FPT Corporation	HOSE	4.19%

London Stock Exchange Market Makers

Oriel Securities	Shayne Barge +44 207 710 7665	Winterflood	Richard Browne +44 203 100 0251
Jefferies	Michele White +44 207 898 7127	Numis Securities	David Cumming +44 207 260 1376
JPM Cazenove	Steven Cheshire +44 207 155 8063	LCF Rothschild	Johnny Hewitson +44 207 845 5960
Investec	Peter Brown +44 207 597 5063	finnCap	James Simpson +44 207 220 0558

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